

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

FARM OWNERSHIP LOANS

1
Ag 84 Pro
cap. 2

U. S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY

AUG 3 - 1964

CURRENT SERIAL RECORDS

4 - MAY 2, 2

1964



PA-62

UNITED STATES DEPARTMENT OF AGRICULTURE

Farmers Home Administration

Farm Ownership Loans

- Enlarge Farms
- Buy Farms
- Improve Farms
- Refinance Debts

The Farmers Home Administration makes farm ownership loans accompanied by technical management assistance to farmers and ranchers who are or will become operators of not larger than family farms. Loans are made primarily to enlarge, improve, and buy farms, and to refinance debts. Loans may also be made to these farmers to produce trees and other forestry products, produce fish under controlled conditions, and to finance recreational enterprises which will supplement their farm incomes.

Each farm ownership loan is tailored to the individual borrower's needs. The Farmers Home Administration county supervisor helps the borrower analyze his problems and determine his available resources and plan how these resources plus those obtained by the loan may best be used. The county supervisor also makes visits to the borrower's farm to help solve problems that arise in making major adjustments in his farming operations and in adopting improved farm and home practices.

Farm ownership loans are made only to farmers who are unable to obtain the credit they need from other sources at reasonable rates and terms.

Applications from eligible veterans are given preference. Both veterans and nonveterans must meet the same requirements and qualifications for loans.

Farm ownership loans are made under the provisions of the Consolidated Farmers Home Administration Act of 1961, as amended in 1962, from funds advanced by private lenders and insured by the Farmers Home Administration, and from direct funds authorized by the Congress. The same standards for farms and farmers' eligibility are followed for both insured and direct loans.

Questions and answers explaining details of these loans follow:

How may loan funds be used?

Farm ownership loans may be used to buy or enlarge farms, to construct, improve, or repair farm homes and farm service buildings, to drill wells and otherwise improve water supply systems for home use, livestock, and irrigation, and to refinance debts.

In addition, these loans may be used to develop and improve farm land: clear and level land, establish and improve farm forests—clear and prepare land for planting, buy seed or seedlings and establish approved forestry practices; provide drainage systems, carry out basic land treatment practices such as liming, and to make other improvements.

Loans may also be used to provide facilities to produce fish under controlled conditions and to finance recreational enterprises which will help farmers supplement their farm incomes—buy and develop land, construct buildings and other facilities, purchase equipment, and make other real estate improvements. Recreational enterprises which may be financed on family farms include camping grounds, swimming facilities, tennis courts, riding stables, vacation cottages, lakes and ponds for boating and fishing, docks, nature trails, and picnic grounds.

What are the terms and interest rate?

The interest rate is 5 percent per year on the unpaid principal, except that the rate on loan funds used for forestry purposes under an approved forestry management plan is 3 percent. The maximum term is 40 years.

A borrower has the privilege of making large payments in years of high income to build up a reserve that may keep the loan in good standing during years of low income.

Each borrower is expected to refinance the unpaid balance of the loan when able to obtain such refinancing at reasonable rates and terms from other lenders.

Farm ownership borrowers are required to pay taxes and property insurance premiums when due.

Who may borrow?

To be eligible, an applicant must:

- (1) Have a farm background and the farm experience or training needed to be successful in the proposed farming operation.
- (2) Possess the character, industry, and ability to carry out the proposed farming operation. When a loan that includes funds for recreational purposes is being considered, possess the ability

necessary to carry out the proposed enterprise.

- (3) Manage and operate the farm.
- (4) Be unable to obtain sufficient credit elsewhere at reasonable rates and terms to finance his actual needs.
- (5) Be a citizen of the United States and of legal age.
- (6) After the loan is made, be a farm owner operating not larger than a family farm.
- (7) Be able to obtain needed operating capital, including livestock and equipment.

Who determines eligibility?

The county or area committee of the Farmers Home Administration determines the eligibility of applicants. The committee consists of three farmers who know local farming and credit conditions and what it takes for success. Before acting on an application, the committee may ask the farmer and his wife to meet with them or they may visit the farm.

If the applicant is eligible, what is the next step?

The Farmers Home Administration county supervisor will assist the applicant in working out a farm and home plan to make the best use of land, labor, livestock, capital, and equipment. This plan will be a guide for the borrower and his family in determining the soundness of the proposed operation and to follow in operating the farm. It will show the crops and livestock the borrower expects to produce for sale and home use; practices to follow in caring for land, crops, and livestock; proposed expenditures for livestock and equipment and for running the farm and home; and the expected income and how it will be used. Before a loan is made it must be clear that the borrower will have enough income to meet farm operating and family living expenses and to repay the loan and other debts. In all cases, the labor to operate the farm and any recreational enterprise must be furnished primarily by the operator and his immediate family, except during seasonal peak-load periods.

What other steps may be taken before the loan is made?

In certain cases the county supervisor will assist the applicant in contacting his creditors to determine if his debts can be adjusted or consolidated and repayments extended over a longer period of time. This credit service is designed to help those farmers who are in serious financial trouble and need assistance in working out the orderly settlement of their

debts in line with their planned income from the farming operations and other sources.

What additional management assistance may the borrower receive after the loan is made?

Farm ownership loans are accompanied by advice in sound farm and home management to help borrowers make profitable use of their land and water, labor, capital, and other resources that will be available to them. The county supervisor furnishes advice and assistance in keeping accurate records of expenses and income and in budgeting and otherwise making wise use of income and credit. He also provides on-the-farm assistance with farm and money management problems during the first few years of the loan.

What security is required?

Each loan will be adequately secured to protect the interests of the Government.

Any loan of more than \$2,500 and any loan to be repaid in more than 10 years will be secured by a mortgage on the farm.

A loan of not more than \$2,500 scheduled for repayment within 10 years may be secured by a mortgage on the farm, or chattels, or other suitable security.

What determines the size of loan?

The loan may not exceed the normal value of the farm and other security minus any debts against this property and may not exceed the amount certified by the county committee. An appraisal is made of the security property to determine its normal value.

In no case may the Farmers Home Administration loan plus other debts against the security property exceed \$60,000.

May a farmer with off-farm income qualify for a loan?

Yes, if he is otherwise eligible, has dependable off-farm income, and continues farming.

Does it cost anything to apply for a loan?

No. If a loan is made, however, the borrower pays for legal services necessary to establish a satisfactory title to the farm and pays the fees charged by local county governments for filing and recording the real estate mortgage held by the Farmers Home Administration.

What other loans are made by the Farmers Home Administration?

Loans may also be made to buy livestock and equipment and pay farm and home operating

expenses, build and improve rural homes and essential farm service buildings, provide rental housing for senior citizens, develop water supplies and carry out soil conservation measures, build housing for farm laborers, develop watersheds, and to meet emergency credit needs of farmers suffering from a natural disaster such as hail, flood, or drought.

How do farm ownership loans aid in rural areas development?

Farm ownership loans help farm families acquire the resources and skills they need to improve their operations, raise their standards of living, increase their incomes, and participate in new enterprises. This assistance in turn stimulates business activity in neighboring towns and in general helps the farm families and the communities of which they are a part make an important contribution to the strength of the national economy.

If a farmer is not eligible for a loan from the Farmers Home Administration, may he obtain financial advice?

Yes. The county supervisor will do all that he can to help a farmer find a solution to his financial problems. Sometimes this may mean helping the farmer and his creditors work out a repayment schedule that is more in line with the farmer's repayment ability. Sometimes it may mean a close analysis of just how much a farmer can afford to borrow.

Where to apply for a loan?

A farmer applies at the county Farmers Home Administration office serving the area in which he expects to carry out his farming operations. There he will be given an application blank, and the supervisor will be glad to answer any questions he may have.

Anyone unable to locate the local office may write to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C., 20250.

Slightly Revised May 1964

